2006 Annual Report

Metro Tasmania Pty Ltd

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Introduction

The principal objective of Metro Tasmania Pty Ltd is defined in the Metro Tasmania Act, 1997. It is:

> *"To provide, road passenger transport services in Tasmania and to operate those services in a manner consistent with sound commercial practice."*

This legislation was enacted in February 1998 and established Metro Tasmania Pty Ltd as a State Owned Company operating under Corporations Law.

Metro Tasmania Pty Ltd has evolved from the former Metropolitan Transport Trust (MTT), which itself was formed in 1954 by the transfer of urban public transport services operated by the Hobart and Launceston City Councils to the Tasmanian Government. In 1959, MTT extended its operations to include urban bus services within the Burnie Municipality.

Metro provides a broad range of urban passenger transport bus services within Hobart (excluding Kingston and Blackmans Bay), Launceston and Burnie, as well as between Wynyard, Burnie and Ulverstone. These services are specified within a Community Service Activity Agreement between Metro and the Minister for Infrastructure. In addition Metro also provides urban bus services to the Kingston and Blackmans Bay area as part of its Hobart operations. These services are specified in individual route service contracts between Metro and the Transport Commission. Finally, Metro through its regional services division (Hobart Coaches) provides regional bus services to a number of centres around Hobart (including Bothwell, the Channel, Richmond and New Norfolk). These are also specified in individual route contracts with the Transport Commission. Full details of all the general route services and special student services provided by Metro can be obtained by searching Metro's website at **www.metrotas.com.au**.

Metro also provides a range of local and statewide charter services, as well as special event and community services (such as for the Hobart Show).

In its Corporate Plan Metro has identified its "vision" as *achieving excellence in passenger transport services and its "mission" as providing safe, reliable and quality road passenger transport services that balance stakeholder needs and sound commercial practices.*

Metro's Corporate Plan also sets out the Goals, Targets and Strategic Actions that Metro will be pursuing over the next three years in pursuit of its vision. Metro's Corporate Plan can be downloaded from our website **www.metrotas.com.au**.

Prior to 30 June 2005 regional services, other than Hobart to Bothwell, were delivered by Metro's wholly owned subsidiary Metro Coaches (Tas) Pty Ltd under the business name of Hobart Coaches. On 30 June 2005 the service contracts and business name were transferred to Metro as part of a corporate restructuring.

Metro is the registered trading name of Metro Tasmania Pty Ltd. Hobart Coaches is the registered trading name for Metro's regional services division.

Company Directory

Nature of Business:	Provision of bus transport services
Issued Capital:	Two shares of $1.00 each
Registered Office:	212 – 220 Main Road
	Moonah, Tasmania
ABN Number:	30 081 467 281
Directors:	Sally Denny, Chairperson
	Michael Wisby, Deputy Chairperson
	Ketrina Clarke
	Janie Finlay
	Robert Flanagan
Shareholders:	Crown of Tasmania
Senior Managers:	Tony Sim, Chief Executive Officer
	Jeff Dallas, Group Manager Operations and Engineering
	Jack Lane, Manager Business Development
	Anita Robertson, Chief Financial Officer
Bankers:	Commonwealth Bank of Australia
	81 Elizabeth Street
	Hobart, Tasmania
Auditor:	Auditor General

Principal Offices

Hobart

Address:	Head Office
	212-220 Main Road, Moonah, Tas
Postal Address:	PO Box 61, Moonah 7009
Telephone:	(03) 6233 4232
Facsimile:	(03) 6272 8770

Launceston

Address:	168 Wellington Street, Launceston, Tas
Postal Address:	PO Box 578, Launceston, 7250
Telephone:	(03) 6336 5888
Facsimile:	(03) 6336 5899

Burnie

Address:	28 Strahan Street, Burnie, Tas
Postal Address:	PO Box 182, Burnie, 7320
Telephone:	(03) 6431 3822
Facsimile:	(03) 6431 9336

Other contracts

E-mail:	correspondence@metrotas.com.au
Website:	www.metrotas.com.au
The Metro Shop:	Hobart GPO
	Elizabeth Street Bus Station
	Hobart, 7000

Chairperson's Review

The 2005/06 financial year has been a challenging one for Metro:-

- The year started with the appointment of a new CEO and the consolidation of Hobart Coaches operations into the company to form Metro's regional services division;
- Significant effort was placed into negotiating and finalising a new Enterprise Agreement with Metro's bus operators, a process which included having to resolve a brief period of industrial action;
- Metro's pricing policies were again subject to the regular triennial review by the Government Prices Oversight Commission; and
- There have been a number of operational 'challenges' for the company including steadily rising fuel prices and deteriorating traffic conditions.

Operating Conditions

The Tasmanian economy has again performed strongly over the year. Normally when there is strong economic growth it is accompanied by increasing levels of car ownership and declines in public transport use. This period of economic growth is different in that it is being accompanied by a period of steadily increasing fuel prices and some growth in patronage numbers.

A critical issue affecting Metro's operations during the year was the negotiation of a new Enterprise Agreement for bus operators. There was a significant gap between the wages sought and Metro's ability to pay. This led to a degree of friction in negotiations and the assistance of the Australian Industrial Relations Commission was sought to help resolve matters. In the end an agreement could only be reached after a brief period of strike action, the first state-wide stoppage in Metro's history. The company is now working hard to rebuild good working relationships with its employees.

This year represented the first for Metro under its new corporate structure. On 30 June 2005 Metro Tasmania Pty Ltd took over the regional bus services previously operated by its wholly owned subsidiary company, Metro Coaches (Tas) Pty Ltd under the business name Hobart Coaches. The business name of Hobart Coaches was retained by Metro, and has been used for Metro's regional services division. From the customer's perspective there has been no change. However, within the company a process has commenced which will see increased integration of service provision with the aim of maximising the overall efficiency of its operations.

Metro's fares, other than for students, were increased in January 2006 by between 5 and 8%, in response to underlying cost increases over the previous twelve months. The latest fare increases were generally accepted by the market in urban areas, although on the longer distance regional services there was some consumer resistance. By comparison fuel prices for general motorists rose 25% over the same twelve month period.

Patronage

The most significant picture to emerge in 2005/06 in relation to patronage was the growth experienced in Adult Full Fare passenger numbers.

After correcting for differences in day types from one year to the next, overall Adult Full Fare patronage grew by 8.5% in 2005/06 compared to the previous financial year. Some of this increase was as a response to higher fuel prices and a slight shift to bus use by commuters. The balance of the growth can be attributed to improved economic conditions and reduced unemployment. This flowed through into less people being able to qualify for Adult Concession travel. Indeed Adult Concession travel actually declined by 5.8%.

Student/Child travel also grew slightly reflecting the fact that families are returning to Tasmania in response to the improved economic conditions.

Again, after correcting for differences in day types, overall patronage levels grew by about 0.4%, a positive result.

Government Prices Oversight Commission

Under the *Government Prices Oversight Act*, Metro is subject to a three yearly review of its pricing policies by the Government Prices Oversight Commission (GPOC). This review commenced in October 2005 and was completed in June 2006.

The GPOC review has led to the creation of a new *Government Prices Oversight (Metro Bus Fares) Order* which will set maximum levels for Adult fares for the next three years. Metro will give due consideration to the recommendations of the GPOC review in developing future proposals regarding all bus fares.

Financial Results

Metro's financial performance for the twelve months to 30 June 2005 has again exceeded expectations. A consolidated profit of $30,000 was achieved.

The profit for the year has again been achieved despite a period of sustained increases in fuel prices, through rigorous control over other expenditure.

Metro's contract payments are adjusted quarterly in accordance with cost movements as defined by the Metro Index. As a consequence there is generally a lag of three to four months between the time that costs increase and adjustments are made to contract payments. For 2005/06 the actual price Metro has paid for fuel has exceeded the fuel price used in calculating Metro's contract payments by on average 6.9 cents per litre, equivalent to $300,000 for the full financial year.

Fortunately for Metro a favourable adjustment was required to the provisions for members of the RBF Defined Benefit Scheme. This turned what would have been an operating loss into an operating profit for the year.

Sally Denny
Chairperson

Chief Executive Officer's Review

This report covers my first year as CEO of Metro, and it has been an eventful year.

Improved Services

Increased patronage is the fundamental basis for Metro's future. Our services need to be relevant to the needs of our customers, as well as being delivered in modern buses and with a focus on quality customer service.

Metro has embarked on a process of establishing closer working relationships with Local Governments to gain a greater understanding of the needs of the local communities we serve, as well as progressively reviewing the services Metro provides on an area by area basis.

In 2005/06 this process led to a number of service changes based on the principle of using available resources more effectively:

- In November 2005 the under-patronised bus services around Ulverstone were deleted, and in their place increased services were provided between Burnie and Ulverstone. The Burnie-Ulverstone bus route was also modified to provide a more direct service;
- In January 2006 a midday return service was established between Hobart and Richmond utilising a bus that was available during the middle of the day; and
- In June 2006 a number of services to Kingston were revised to provide better connections between Kingston and Hobart via Taroona, as well as making better use of peak period resources to create some commuter express services via the southern outlet.

Metro also completed a major review of its Burnie services, again based on the principle of using existing resources better. This review will culminate in September 2006 with the introduction of new weekday services and the re-introduction of Saturday services in Burnie at no extra cost to Government.

Rising Fuel Prices

Like many transport operators, Metro is coping with an extended period of rising fuel prices.

On the negative side Metro's fuel bill has grown substantially from $3.2M in 2003/04 to $4.8M in 2005/06 – a rise of 50%. Metro is looking closely at the relative merits of alternative fuels, including compressed natural gas and bio-diesel.

On the positive side many people are now looking a lot more closely at the cost of their travel, and considering the use public transport where this is realistic. Metro has and will continue to promote its services as a viable alternative to the use of private vehicles as pressure on fuel prices continues.

Government Prices Oversight Commission

In May 2006 the Government Prices Oversight Commission released the report of its triennial review of Metro's pricing policies. This looks at the price that Government pays for services from Metro as well as the fares that passengers pay when using Metro buses.

The report found that Metro was one of the most efficient public sector bus companies in Australia, on par with Brisbane Transit. Metro was also found to be on par with the best practice mainland private bus operators.

GPOC also outlined a series of recommendations regarding future Metro bus fares designed to simplify the Metro fare structure and achieve greater consistency with the fares charged by Tasmania's private sector bus operators.

The GPOC report included a recommendation that the maximum fares for certain Adult bus journeys should increase by 50% over three years. The media picked up on this number and that became the focal point for reporting about the GPOC report. This distracted attention away from some of the other ideas in the GPOC report including:

- A flatter fare structure for Adult passengers;
- Making concession fares also distance based at a set percentage of the Adult fare; and
- Introducing an increased range of 'packaged' travel products such as all-day tickets and weekly tickets, in addition to Metro's existing off-peak day tickets.

Metro reviews fares on a regular basis, normally once a year. The recommendations from the GPOC report will be taken into account when fares are next reviewed. Metro considers it inappropriate to have a significant across the board fare increase in the next twelve months.

The ability for Metro to introduce new fares is limited by the flexibility of its ticketing system. Metro is intending to call tenders to replace its existing ticketing system during 2006/07. This will provide Metro with much greater flexibility to introduce a range of new ticket types.

Enterprise Agreement

Metro's previous Enterprise Agreement for Bus Operators expired in January 2006. An extended process of negotiations failed to deliver a new Agreement by the required time resulting in the matter being taken before the Australian Industrial Relations Commission to help find an acceptable solution. With their assistance a settlement was eventually reached, although not before two days of strike action was taken which coincided with the commencement of the 2006 school year.
The strike action does not appear to have had a lasting impact on passenger numbers.

Metro's Operations

There were two significant developments in the way that Metro operates and maintains its vehicle fleet during 2005/06.

In December Metro outsourced the operation of its bus body repair and maintenance activities. This changeover was achieved in a harmonious fashion through a process of close consultation with Metro's workforce. Metro expects to achieve a better maintained fleet and an improved vehicle repair turnaround as a result of this change.

Metro also invested in vehicle roller-brake testing equipment at its Launceston and Hobart depots. This is designed to improve the effectiveness of Metro's vehicle maintenance and testing program, and ensure that its fleet is maintained to the highest safety standards. Special arrangements will be made to ensure that the Burnie fleet is subject to a similar testing program.

Metro Sponsorship and Community Support

Metro undertakes a range of sponsorships as part of its strategy to increase its profile amongst key client groups and to help promote the long-term use of Metro services. Metro also supports a range of community groups and community activities as part of its role of being a good corporate citizen.

During 2005/06 Metro sponsored the following:

- Football Tasmania (Tassie Mariners U16 and U18 representative teams);
- Neighbourhood Watch Tasmania Inc;
- Junior Netball;
- Point to Pinnacle;
- Police Citizen and Youth Club Bridgewater;
- Hobart Christmas Pageant;
- Road Safety Task Force;
- Southern Cross Special Children's Christmas Party;
- Seniors Week;
- Royal Guide Dogs For The Blind;
- Streets Alive;
- Hobart Summer Festival;
- Living In Harmony, Diversity, We Are Who We Are;
- International Year of Microcredit 2005;
- Make A Wish Foundation; and
- Launceston - Its About Us 2006.

Metro also donates transport services, provides financial assistance or supports a range of community organisations in other ways. Metro, and Metro staff, are very proud to be an active part of the Tasmanian community.

Tony Sim
Chief Executive Officer

Statistics And Performance Indicators

Passenger Levels

The following patronage information relates to metropolitan bus services, including those to Kingston and Blackmans Bay, but excludes patronage on regional services to New Norfolk, Richmond, Bothwell and the Channel.

The total number of first boardings on urban timetabled route services increased by 1.0% in 2005/06 compared to the previous financial year. The increase is attributed to the following key factors:

- Increases in petrol prices encouraging Full Fare Adult patronage;
- Improved employment level throughout metropolitan areas in Tasmania which led to additional Full Fare Adult patronage and a fall in Adult Concession patronage; and
- An additional four school days in 2005/06 compared to 2004/05.

Metro carries more passengers on weekdays during school terms, and the increased number of school days contributed 0.6% of the overall passenger growth while factors such as increased petrol prices and employment provided the remainder of growth estimated at approximately 0.4%.

Patronage levels were also negatively impacted by a two and a half day bus operator's strike in February 2006.

The proportion of full adult fares increased significantly from 22.2% to 24.0% of all passengers carried.

Table 1 - First Boardings by Passenger Category – Route Services

Passenger	Number of Trips		% Composition		Increase (Decrease)
	2004/05	2005/06	2004/05	2005/06	to Previous Year
	000's	000's	%	%	%
Adult Fare	1,829	1,996	22.2	24.0	9.1
Adult Concession	2,935	2,782	35.6	33.4	(5.2)
Child & Student	3,480	3,545	42.2	42.6	1.9
TOTAL:	**8,243**	**8,322**	**100.0**	**100.0**	**1.0**

Notes: Figures may not add up exactly due to rounding.

Total passenger boardings, including transfers and charter contract services also show a slight increase compared to the previous year, but overall passenger levels have been fairly stable for the last eight years (see Table 2). An increase in patronage in 2005/06 compared to previous years is due to the inclusion of patronage for Kingston and Blackmans Bay services.

The proportion of passengers using pre-paid tickets remains clearly below 50%, and fell slightly during 2005/06 (Table 3). The biggest factor contributing to this shift has been the Government's decision to keep student/child fares fixed at their 1996 levels. This has led to a significant decline in the student use of pre-paid tickets.

Table 2 – Total Passenger Trips (including transfers and charter services)

	Hobart	Launceston	Burnie	Total
1997/98	7,390,000	1,993,000	613,000	9,996,000
1998/99	7,165,000	1,855,000	548,000	9,568,000
1999/00	7,056,000	1,807,000	516,000	9,379,000
2000/01	7,167,000	1,950,000	509,000	9,626,000
2001/02	7,191,000	1,903,000	532,000	9,626,000
2002/03	7,177,000	1,819,000	546,000	9,542,000
2003/04	7,243,000	1,847,000	530,000	9,620,000
2004/05	7,159,000	1,794,000	502,000	9,455,000
2004/05 (i)	7,579,000	1,794,000	502,000	9,875,500
2005/06 (i)	7,641,000	1,770,900	500,000	9,911,000

(i) Includes patronage associated with Kingston and Blackmans Bay services. Prior to 2004/05 patronage to Kingston and Blackmans Bay has been excluded.

Table 3 – Trends in Pre-paid Ticket used as a % of First Boardings for Different Passenger Categories

	Adult %	Adult Concession %	Child/Student %	Total All Categories %
1997/98	32.3	22.9	66.3(ii)	50.9(i)
1998/99	31.9	22.1	62.8(ii)	49.9(i)
1999/00	32.0	20.7	63.0(ii)	48.6(i)
2000/01	33.3	20.2	62.2(ii)	47.7(i)
2001/02	33.3	20.2	60.7(ii)	46.4(i)
2002/03	34.0	20.0	59.5(ii)	46.2(i)
2003/04	34.5	20.3	58.2(ii)	46.6(i)
2004/05	34.3	22.4	55.2(ii)	46.8(i)
2004/05 (iii)	35.3	22.4	53.2(ii)	46.2(i)
2005/06 (iii)	36.4	22.6	50.2(ii)	45.8(i)

(i) Total All Categories - trips made by school children using free student travel passes are included as "pre-paids".
(ii) Child/Student statistics exclude free school trips.
(iii) Includes patronage associated with Kingston and Blackmans Bay services. Prior to 2004/05 patronage to Kingston and Blackmans Bay has been excluded.

Metro Fleet and Workforce

Metro operates accessible buses in Hobart, Launceston and Burnie. Table 4 shows the proportion of the fleet that is accessible, as well as the proportion of general route services that are delivered by accessible buses in each centre.

Table 4 – Percentage of Metro General Route Services Delivered by Accessible Buses (as at 30 June 2006)

	Hobart (i)	Launceston	Burnie	State
% Fleet Accessible	20.7%	12.0%	13.3%	18.1%
% Weekly Trips	29.3%	14.9%	17.0%	26.9%

(i) Includes services for Kingston and Blackmans Bay, and the combined Metro plus Hobart Coaches fleets.

Table 5 – Number of Buses in Service (as at 30 June 2006)

	Hobart Coaches Fleet	Hobart	Metro Fleet Launceston	Burnie	Total
M.A.N.	1	11	8	2	22
Scania	11	77	36	11	135
Scania Low Floor (12.5m)	1	27	6	2	36
Scania Low Floor (14.5m)	-	3	-	-	3
Volvo Articulated	1	18	-	-	19
Totals	14	136	50	15	215
Special Bus Features :-					
Accessible Buses	-	25	4	2	31
Video Surveillance	3	40	9	2	54
Air Conditioned	3	15	-	-	18

Table 6 – Metro Workforce and Fleet Utilisation Statistics

	2005/06 (i)	2004/05 (ii)
Full Time Equivalent employees per vehicle (ii)	1.78	1.77
Lost time (days) per full time equivalent employee (iii)	9.14	9.26
Number of workers' compensation lost time injury claims	40	55
Number of employees at 30 June	450	441
Average full-time equivalent employees for year	383.3	380.35
Number of employees entering service	63	50
Number of employees leaving service	43	34
Percentage of vehicles in excess of maximum daily demand	11.4	11.4

(i) Includes all Metro employees and vehicles, both the urban services division and the regional services division.
(ii) Data for 2004/05 has been re-calculated using data for the total vehicle fleet, including all Hobart Coach vehicles.
(iii) Lost time includes sick leave and workers' compensation lost time.

Web Site

Metro provides access to a wide range of information through its web site; **www.metrotas.com.au**. The site provides a comprehensive source of information on Metro and its services. Information on Hobart Coaches services can be obtained either through the links from the Metro web site or through Hobart Coaches own web site **www.hobartcoaches.com.au**.

Public Interest Disclosures

Metro is required to establish procedures for the disclosure and investigation of improper conduct or detrimental action. These procedures have been made accessible via Metro's web site. No disclosures were made to or about Metro during the financial year.

Directors' Report

The Directors of Metro Tasmania Pty Ltd submit herewith the financial report for the year ended 30 June 2006.

Directors

Details of Directors during the financial year and since the end of the financial year are set out in Note 16 to the financial statements.

Principal Activities

Metro's principal activity during the financial year was the provision of bus passenger transport services in the Tasmanian urban centres of Hobart, Launceston and Burnie as well as a number of regional passenger transport services to centres around Hobart.

Overview of Operations

I present to the shareholders the Performance Report for the twelve months ended 30 June 2006 for Metro Tasmania Pty Ltd.

Metro has made an overall consolidated profit of $30,000 (2005 A-IFRS Loss of $94,000) for the financial year. This profit has been achieved due to a decrease in the valuation of the actuarial determined Provision for the Retirement Benefits Funds by $194,000, which is totally outside the control of Metro. Ignoring the impact of the valuation of this provision, Metro has made a trading loss of approximately $164,000. This is largely due to record high fuel prices, lag in receiving compensation for this through adjustments to Metro's Community Service Activity (CSA) Agreement, higher than budgeted maintenance expenditure and lower than budgeted charter and advertising revenue.

Patronage on Metro's regional services decreased slightly by 0.2 % compared to the previous financial year, however overall statewide first boarding patronage has increased by 1%, which is a positive outcome for Metro.

Further comment on operations is included in the Chairperson's Review and the Chief Executive Officer's Review.

Changes in State of Affairs

Since 1 July 2005, Metro has delivered regional services previously provided by its subsidiary, Metro Coaches (Tas) Pty Ltd, through its regional services division, Hobart Coaches. Metro acquired the business (being transfer of ownership title in the identifiable assets and liabilities) of the subsidiary at their fair value at the acquisition date on 30 June 2005. As a result Metro Coaches (Tas) Pty Ltd became a "shell company" whose future has yet to be determined by the Board.

There was no other significant change in the state of affairs of Metro.

Superannuation Declaration

The company has met its obligations under the *Superannuation Guarantee (Administration) Act 1992* in respect of those employees who are members of a complying superannuation scheme to which Metro contributes. Metro also has a defined benefit scheme, under the *Retirement Benefits Act 1993*, which is subject to actuarial valuations and covers current and former employees.

Subsequent Events

There has not been any matter or circumstance other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operation of the entity, the results of those operations, or the state of affairs of the entity in future financial years.

Future Developments

Disclosure of information regarding likely developments in the operation of the entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the entity. Accordingly, this information has not been disclosed in this report.

Dividends

No dividend is payable in respect of Metro's operating profit this year and no dividend was paid in respect of last years operating profit. No dividend has been declared since the end of the financial year.

Directors' Remuneration

Fees paid to Directors are set by Shareholders. During the financial year, no Director has received, or become entitled to receive, a benefit by reason of a contract made by the Company with a Director or with a firm of which he or she is a member or an entity in which he or she has a financial interest.

Indemnification of Directors and Officers

During the financial year, the Company paid a premium in respect of a contract insuring the Directors of the Company, the Company Secretary and all Executive Officers of the Company and its related body corporate against potential liabilities to the extent permitted by Corporations Law.

Corporate Governance

Corporate Governance is the system by which the activities of a company are controlled and coordinated in order for the company to achieve its desired outcomes.

As a State Owned Company the Board of Directors is responsible to its Shareholders, The Minister for Infrastructure, Energy and Resources and The Treasurer in meeting the aspirations of the state Government and it directs management accordingly.

The Board performs this role by:

- Appointing and monitoring the performance of the Chief Executive Officer;
- Clearly identifying and enunciating the strategic direction for Metro;
- Identifying and addressing the principal risks for Metro;
- Monitoring the conduct and performance of the company through an integrated framework of controls;
- Ensuring all Metro's business is conducted in an honest, open and ethical manner; and
- Ensuring adequate succession planning is undertaken.

Metro's Remuneration Committee, consisting of two members of the Board and the Chief Executive Officer was established to develop and make recommendations in relation to remuneration policy and approve employment contracts for Metro's senior managers. In addition the Committee's role is to review any proposal for changes to employee benefit structures throughout Metro and report to the Board on the likely impacts of such changes.

Audit Committee

Metro has an Audit Committee which during the year was constituted of three members of the Board and was chaired by the Deputy Chairperson of the Board. This Committee closely monitors the operational and financial aspects of the Company's activities in conjunction with the internal auditors and develops strategies for action regarding financial and operational risks facing the Company.

Risk Management

During the year, Metro continued work on the three-phase risk management strategy developed in 2003/04 which involved the identification of risks in all areas of the organisation, the development of action plans to mitigate these risks and the ongoing review and monitoring of these plans to ensure that Metro's overall risk management strategy is adequately addressed.

Rounding Off of Amounts

Metro is a company of the kind referred to in ASIC Class Order 98/0100 dated 10 July 1998 and in accordance with that Class Order amounts in the Directors Report and the Financial Report have been rounded off to the nearest thousand dollars.

Signed in accordance with the resolutions of the Directors made pursuant to Section 298 (2) of the Corporations Act 2001.

On behalf of the Directors

Sally Denny Chairperson

Hobart, 4 September 2006

Tasmanian Audit Office

Auditors Independence Declaration

To the Board Members of Metro Tasmania

In accordance with section 307C of the Corporations Act 2001, I provide the following declaration of independence.

As the auditor of the financial report of Metro Tasmania Pty Ltd, for the financial year ended 30 June 2006, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(a) The auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(b) Any applicable code of professional conduct in relation to the audit.

Pursuant to section 298(1)(c) a copy of this declaration must be included in the Director's report.

Yours sincerely

E R De Santi
Deputy Auditor-General

Hobart, 21 September 2006

Directors' Declaration

In the opinion of the Directors of Metro Tasmania Pty Ltd ("the Company"):

(a) the financial statements and the notes are in accordance with the Corporations Act 2001, including:

 (i) giving a true and fair view of the financial position of the Company as at 30 June 2006 and its performance, as represented by the results of its operations and its cashflows for the year ended on that date; and

 (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:

Sally Denny
Chairperson of the Board of Directors

Michael Wisby
Member of the Board of Directors

Hobart, 28 September 2006

Tasmanian Audit Office

Independent Audit Report

To the Members of Metro Tasmania Pty Ltd

Matters Relating to the Electronic Presentation of the Audited Financial Statements

This audit report relates to the consolidated financial statements published in both the annual report and on the website of the Metro Tasmania Pty Ltd (the Company) for the year ended 30 June 2006. The Company's Directors are responsible for the integrity of both the annual report and the website.

The audit report refers only to the financial statements and notes named below. It does not provide an opinion on any other information, which may have been hyperlinked to/from the audited financial statements.

If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial statements in the Company's annual report.

Scope

The financial statements and the Directors' responsibilities

The financial statements comprise the income statement, balance sheet, statement of recognised income and expense, cash flow statement, accompanying notes to the financial statements, and the Directors' declaration for the year ended 30 June 2006. The financial statements include the consolidated financial statements of the economic entity, comprising the Company and the entities it controlled at the financial year's end or from time to time during the financial year.

The Directors of the Company are responsible for the preparation and true and fair presentation of the financial statements in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial statements.

Audit approach

I conducted an independent audit in order to express an opinion to the Members of the Company. My audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial statements are free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

I performed procedures to assess whether in all material respects the financial statements present fairly, in accordance with the *Corporations Act 2001*, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with my understanding of the Company's financial position, and of its performance as represented by the results of its operations, cash flows and changes in equity.

I formed my audit opinion on the basis of these procedures, which included:

- Examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial statements, and
- Assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Directors.

While I considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of my procedures, my audit was not designed to provide assurance on internal controls.

The Audit Opinion expressed in this report has been formed on the above basis.

Statement of Continued Independence

My independence declaration provided to the Directors of Metro Tasmania Pty Ltd dated 21 September 2006 and included in the Director's Report, would be unchanged if provided to the Directors as at the date of this audit report.

Audit Opinion

In my opinion the financial report of Metro Tasmania Pty Ltd is in accordance with:

a. *Corporations Act 2001*, including:

 i. giving a true and fair view of the financial position of the Metro Tasmania Pty Ltd and the consolidated entity at 30 June 2006 and of their financial performance for the year ended on that date, and

 ii. complying with Accounting Standards in Australia and the *Corporations Regulations 2001*; and

b. other mandatory financial reporting requirements in Australia.

TASMANIAN AUDIT OFFICE

E R De Santi
Deputy Auditor-General

Delegate of the Auditor-General Hobart, 10 October 2006

Financial Statements

Metro Tasmania Pty Ltd and its Controlled Entity

Balance Sheet as at 30 June 2006

	Note	Consolidated 2006 $000's	Consolidated 2005 $000's	Company 2006 $000's	Company 2005 $000's
Assets					
Cash and cash equivalents	19 (a)	**11 246**	11 684	**11 246**	11 684
Trade and other receivables	2	**635**	980	**635**	980
Inventories	3	**853**	861	**853**	861
Assets classified as held for sale	4	**242**	505	**242**	505
Other current assets	5	**571**	461	**571**	461
Total Current Assets		**13 547**	14 491	**13 547**	14 491
Property, plant and equipment	6	**33 076**	29 477	**33 076**	29 477
Intangible assets	7	**166**	230	**166**	230
Other non-current assets	8	**-**	193	**-**	193
Total Non-Current Assets		**33 242**	29 900	**33 242**	29 900
Total Assets		**46 789**	44 391	**46 789**	44 391
Liabilities					
Trade and other payables	9	**3 501**	3 496	**3 608**	3 603
Financial liabilities	10	**-**	35	**-**	35
Employee benefits	11	**6 300**	6 052	**6 300**	6 052
Total Current Liabilities		**9 801**	9 583	**9 908**	9 690
Financial liabilities	10	**2 792**	2 792	**2 792**	2 792
Employee benefits	11	**13 479**	15 920	**13 479**	15 920
Total Non-Current Liabilities		**16 271**	18 712	**16 271**	18 712
Total Liabilities		**26 072**	28 295	**26 179**	28 402
Net Assets		**20 717**	16 096	**20 610**	15 989
Equity					
Contributed equity	12	**15 503**	15 503	**15 503**	15 503
Reserves	13	**8 081**	5 373	8 081	5 373
Retained profits / (losses)	14	**(2 867)**	(4 780)	**(2 974)**	(4 887)
Total Equity	15	**20 717**	16 096	**20 610**	15 989

The Balance Sheet is to be read in conjunction with the accompanying Notes to the Financial Statements.

Metro Tasmania Pty Ltd and its Controlled Entity

Income Statement
For The Year Ended 30 June 2006

		Consolidated		Company	
	Note	**2006 $000's**	2005 $000's	**2006 $000's**	2005 $000's
Revenue					
Revenue from traffic operations		**34 620**	32 269	**34 620**	30 912
Other revenues from ordinary activities		**619**	787	**619**	802
Interest revenue	18	**660**	546	**660**	546
	18	**35 899**	33 602	**35 899**	32 260
Expenses					
Traffic operations		**(27 011)**	(24 875)	**(27 011)**	(23 903)
Engineering and maintenance services		**(4 772)**	(4 938)	**(4 772)**	(4 609)
Administration and general		**(3 913)**	(3 691)	**(3 913)**	(3 659)
Financial expenses		**(173)**	(192)	**(173)**	(192)
		(35 869)	(33 696)	**(35 869)**	(32 363)
Profit / (Loss) Before Tax		**30**	(94)	**30**	(103)
Income Tax Expense	20	**-**	-	**-**	-
Profit / (Loss) For The Year	14, 15	**30**	(94)	**30**	(103)

The Income Statement is to be read in conjunction with the accompanying Notes to the Financial Statements.

Metro Tasmania Pty Ltd and its Controlled Entity

Statement of Recognised Income and Expenses
For The Year Ended 30 June 2006

		Consolidated		Company	
	Note	**2006 $000's**	2005 $000's	**2006 $000's**	2005 $000's
Actuarial gains/losses on defined benefit plans					
Cumulative amount of actuarial gains / (losses) at end of prior year		**(2 117)**	-	**(2 117)**	-
Actuarial gains / (losses) recognised during year ending	14	**1 824**	(2 117)	**1 824**	(2 117)
Net income recognised directly in equity		**(293)**	(2 117)	**(293)**	(2 117)
Profit / (loss) for the year		**30**	(94)	**30**	(103)
Total recognised income and expense for the year		**(263)**	(2 211)	**(263)**	(2 220)

The Statement of Recognised Income and Expenses is to be read in conjunction with the accompanying Notes to the Financial Statements.

Metro Tasmania Pty Ltd and its Controlled Entity

Cash Flow Statement
For The Year Ended 30 June 2006

	Note	Consolidated		Company	
		2006 $000's	2005 $000's	**2006 $000's**	2005 $000's
Cash Flows from Operating Activities					
Cash receipts from customers		**37 355**	34 589	**37 355**	33 430
Interest revenue	18	**660**	546	**660**	546
		38 015	35 135	**38 015**	33 976
Cash paid to suppliers and employees		**(34 644)**	(29 756)	**(34 644)**	(28 638)
Interest paid		**(173)**	(234)	**(173)**	(192)
		(34 817)	(29 990)	**(34 817)**	(28 830)
Net Cash Flows from Operating Activities	19 (b)	**3 198**	5 145	**3 198**	5 146
Cash Flows from Investing Activities					
Proceeds from sale of property, plant and equipment		**423**	448	**423**	448
Acquisition of property, plant and equipment		**(4 024)**	(2 310)	**(4 024)**	(3 078)
Acquisition of intangible asset		**-**	-	**-**	(63)
Acquisition of investment		**-**	(3 347)	**-**	(3 347)
Restatement of investments to cash		**-**	9 337	**-**	9 337
Net Cash Flows from Investing Activities		**(3 601)**	4 128	**(3 601)**	3 297
Cash Flows from Financing Activities					
Proceeds from private borrowings		**-**	2 792	**-**	4 192
		-	2 792	**-**	4 192
Repayments of private borrowings		**-**	(2 792)	**-**	(3 361)
Repayment of treasury borrowings		**(35)**	(34)	**(35)**	(34)
		(35)	(2 826)	**(35)**	(3 395)
Net Cash from Financing Activities		**(35)**	(34)	**(35)**	797
Net Increase in Cash and Cash Equivalents		**(438)**	9 239	**(438)**	9 240
Cash and cash equivalents at 1 July		**11 684**	2 445	**11 684**	2 444
Cash and Cash Equivalents at 30 June	19 (a)	**11 246**	11 684	**11 246**	11 684

The Cash Flow Statement is to be read in conjunction with the accompanying Notes to the Financial Statements.

1. Significant Accounting Policies

Metro Tasmania Pty Ltd (Metro) was incorporated on 2 February 1998 under the Metro Tasmania Act 1997. This Company is the successor in law of Metropolitan Transport Trust. On the date of incorporation the property of the Trust was vested in Metro and the liabilities of the Trust became the liabilities of Metro.

Shares issued to the members of the Company (2 shares at $1 each) are held in trust for the Crown by the Stakeholder Minister (The Treasurer) and the Portfolio Minister (Minister for Infrastructure, Energy and Resources).

(a) Statement of Compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards Board ("AASBs"), Urgent Issues Group Interpretations ("UIGs") adopted by the Australian Accounting Standards Board ("AASBs") and the Corporations Act 2001. International Financial Reporting Standards ("IFRSs") form the basis of Australian Accounting Standards ("AASBs") adopted by the AASB, and for the purpose of this report is called Australian Equivalents to IFRS ("AEIFRS") to distinguish from previous Australian GAAP. The financial report of the Consolidated entity and Company also comply with IFRSs and interpretations adopted by the International Accounting Standards Board.

For the purposes of applying AIFRS, Metro is classified as a "Not for Profit" entity as its principle objective is not the generation of profit. From 1 January 2005, Australian Accounting Standards include Australian Equivalents to International Financial Reporting Standards (AEIFRS). Accordingly, Metro's Financial Statements have been prepared in accordance with AEIFRS for the first time. Compliance with AEIFRS may not result in compliance with International Financial Reporting Standards (IFRS), as AEIFRS includes a number of requirements and options available to not for profit organisations that are inconsistent with IFRS. Metro is considered to be not-for-profit and has adopted some accounting policies under AEIFRS that do not comply with IFRS. There is no expectation of dividends or payment of taxation equivalents and Metro's contract with Government is based on a breakeven outcome.

This is Metro's first financial report prepared in accordance with Australian Accounting Standards, being AIFRS, (and IFRS) and AASB 1 First-Time Adoption of Australian Equivalents to International Financial Reporting Standards has been applied. An explanation of how the transition to AIFRS has affected the reported Income statement, balance sheet and cash flows of Metro is provided in Note 25.

The application of AIFRS for the 2005/2006 financial year has required the comparative figures to be restated for 2004/2005. This is in accordance with AASB 1 First-Time Adoption of Australian Equivalents to International Financial Reporting Standards. Similarly, AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors requires the changes in accounting policies as a result of applying AIFRS to be accounted for retrospectively by restating the comparatives and adjusting the opening balance of retained earnings. An explanation of how the transition to AIFRS has affected the reported financial position, financial performance and cash flows of Metro is provided in Note 25. The application of AIFRS has resulted in a significant reduction in Metro's equity upon adoption, as can be seen upon review of the restated balances for both the company and consolidated entity.

(b) Basis of Preparation

The financial report is presented in Australian dollars.

The financial report has been prepared on an accrual basis and is in accordance with the historical cost convention and does not take into account changing money values, except for land, buildings and buses which are measured at fair value.

The accounting policies set out below have been applied to all periods presented in the financial report and in preparing an opening AIFRS Balance Sheet at 1 July 2004 for the purposes of the transition to AIFRS.

(c) Judgements and Assumptions

In the application of Australian Accounting Standards, Metro is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects both current and future periods.

Judgements made by Metro that have significant effects on the Financial Statements are disclosed in the relevant Notes to the Financial Statements.

Metro has made no assumptions concerning the future that may cause a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

(d) Comparative Figures

Comparative figures have been adjusted to reflect any changes in accounting policy or the adoption of new standards. Details of the impact of changes in accounting policy on comparative figures are at Note 25.

(e) Rounding

All amounts in the Financial Statements have been rounded to the nearest thousand dollars, unless otherwise stated. Where the result of expressing amounts to the nearest thousand dollars would result in an amount of zero, the Financial Statement will contain a note expressing the amount to the nearest whole dollar.

(f) Basis of Valuation of Non-Current Assets

Non-current assets have been valued at cost, with the exception of land, buildings and the bus fleet, which were independently valued at 30 June 2006 and 30 June 2004 respectively. The valuation was performed on the basis of "market value for existing use" which equates to fair value.

(g) Borrowings

Loans are recorded at an amount equal to the net proceeds received. Interest expense is recognised on an accruals basis.

(h) Depreciation

Non-current assets other than freehold land and the bus fleet have been depreciated over their useful lives using the straight-line method. The following estimated useful lives are used in calculation of depreciation:

Buildings	**40 years**
Route Infrastructure	**10 years**
Other Plant and Equipment	**10 years**
Electronic Ticketing	**10 years**
Information Technology Equipment	**4 years**
Auxiliary Vehicles	**4 years**

The bus fleet has been depreciated using the depreciation profile recommended and which has now been adopted by Ernst and Young, the "Adjusted Industry Rule of Thumb".

(i) Goods and Services Tax

Revenue, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except for receivables and payables that are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the Australian Taxation Office (ATO) is included as a current asset or liability in the Balance Sheet.

Cash flows are included in the Cash Flow Statement on a gross basis. The GST components of cash flows arising from investing and financing activities, which are recoverable from the ATO, are classified as operating cash flows.

(j) Licences

Licences held by the subsidiary company, which allow Metro's regional services divisions to operate timetabled services on specified routes and provide charter services, have been recorded at cost and amortised on a straight line basis over a period of ten years.

(k) Inventories

Inventories have been valued at the lower of cost or current replacement cost. Inventories consist of bus spare parts, fuel and consumable stores.

(l) Computer Software

An intangible asset is recognised where:-

- It is probable that an expected future benefit attributable to the asset will flow to Metro; and
- The cost of the asset can be reliably measured.

Intangible assets held by Metro are valued at fair value where an active market exists and are amortised on a straight line basis over their estimated useful life. Where no active market exists, intangibles are valued at cost.

Computer software is amortised over a period of four years.

(m) Impairment

All assets are assessed to determine whether any impairment exists. Impairment exists when the recoverable amount of an asset is less than its carrying amount. Recoverable amount is the higher of fair value less costs to sell and value in use is based on depreciated replacement cost where the asset would be replaced if deprived of it.

(n) Leases

Metro has entered into a number of operating lease agreements for property, plant and equipment, where the lessors effectively retain all the risks and benefits incidental to ownership of the items leased. Equal instalments of lease payments are charged to the Profit and Loss over the lease term, as this is the representative of the pattern of benefits to be derived from the leased property.

(o) Employee Benefits

(i) Retirement Benefits Fund Entitlements

PricewaterhouseCoopers carried out the actuarial valuation as at 30 June 2006 of the liabilities under the Retirement Benefits Fund (RBF) for current and former employees of Metro. The provision for Retirement Benefits covers employees who are contributory members, former employees in receipt of pension, and preserved entitlements retained for former employees. With respect to contributors, their scheme is a defined benefits scheme.

The actuarial valuation meets the reporting requirements of the accounting standards AASB 119 Employee Benefits. The report also satisfies the general requirements of Professional Standard 400 of the Institute of Actuaries of Australia (relating to the actuarial investigation of defined benefit superannuation funds) and Draft Guidance Note 467, "Accounting for Superannuation and Long Service Leave Obligations under AASB 119", prepared by the Institute of Actuaries of Australia in October 2005.

Metro has elected the option under AASB 119 to recognise actuarial gains and losses directly to retained earnings.

The RBF is a defined benefit fund which pays lump sum and pension benefits to members upon retirement (most of which are calculated as a multiple of the member's final average salary). The RBF has Contributory members, Compulsory Preserved members and pensioners.

The key assumptions used for valuation of liabilities under AASB 119 have been confirmed by Department of Treasury and Finance. Shown below is a summary of the key assumptions used this year compared to those used for the previous.

Key Assumptions as at Balance Date and for Following Year Expense	30 June 2006	30 June 2005
Discount rate		
Gross of tax	**5.80%**	5.30%
Net of tax	**5.70%**	5.20%
Salary rate	**4.50%**	4.50%
Expected return on plan assets (net of tax)	**7.00%**	7.00%
Inflation (pensions)	**2.50%**	2.50%
Tax rate for employer contributions	**7.21% (1)**	7.86%
Tax rate for discount rate	**2.25%**	2.25%
Decrement rates	As per the most recent actuarial investigation and report	

Note 1: This tax rate is based on the balance of Pre-July 1988 Funding Credits balance as at 30 June 2005 as this was the most recent information available.

Plan Assets

The expected return on plan assets (net of tax) has been based on the expected long term returns for each of the major asset class in which the plan invests.

Asset Disclosure	30 June 2006	30 June 2005
Australian equities	**38%**	36%
Overseas equities	**20%**	20%
Fixed interest securities	**21%**	25%
Property	**21%**	19%

Balance Sheet Results as at 30 June 2006

The expected return on plan assets (net of tax) has been based on the expected long term returns for each of the major asset class in which the plan invests.

Net Liability	30 June 2006 $	30 June 2005 $
Defined benefit obligation	**20 792 773**	22 198 617
Contributions tax liability	**1 175 016**	1 439 171
Total defined benefit obligations	**21 967 789**	23 637 788
RBF contributory scheme assets (1)	**5 668 500**	5 320 828
Deficit/(surplus) (2)	**16 299 289**	18 316 960
Unrecognised past service cost	**-**	-
Unrecognised net (gain)/loss	**-**	-
Net liability / (asset)	**16 299 289**	18 316 960
Current net liability	**3 720 323**	3 291 104
Non-current net liability	**12 578 966**	15 025 856

Note 1: Using unaudited accounts as at 30 April 2006, rolled forward to 30 June 2006, and audited accounts as at 30 June 2005.
Note 2: Small differences may occur in totals due to rounding of figures.

The funding status of Metro's share of the defined benefit schemes at the reporting date, based on actuarial valuations, is summarised as follows:

Defined Benefit Obligations	30 June 2006 $	30 June 2005 $
Funded (1)	**5 947 582**	6 178 645
Unfunded	**16 020 207**	17 459 143
Total	**21 967 789**	23 637 788

Note 1: The contributed tax liability has been included in the unfunded portion of the defined benefit obligation.

Movement in Net Liability

Movements in Net Liabilities	30 June 2006 $	30 June 2005 $
Net liability / (asset) in balance sheet at end of prior year	**18 316 960**	15 462 310
Expense recognised in income statement	**1 303 763**	1 333 473
Amounts recognised in statement of recognised income and expense	**(1 823 526)**	2 117 241
Actual employer contributions	**(1 497 909)**	(596 064)
Increase in liabilities due to foreign currency exchange	**-**	-
Increase in liabilities due to business combinations	**-**	-
Net liability / (asset) in balance sheet at end of year	**16 299 289**	18 316 960

Profit and Loss Results for Year Ending 30 June 2006

Expense:	30 June 2006 $	30 June 2005 $
Employer service cost	**576 686**	489 256
Contribution tax expense	**(15 254)**	41 871
Total employer service cost	**561 432**	531 127
Interest cost	**1 098 691**	1 140 739
Expected return on plan assets	**(356 360)**	(338 393)
Recognised actuarial (gains) / losses	**-**	-
Recognised past service cost	**-**	-
Curtailment / settlement (gain) / loss	**-**	-
Expense Recognised:	**1 303 763**	1 333 473

Statement of Recognised Income and Expense

Amounts Recognised in Statement of Recognised Income and Expense	30 June 2006 $	30 June 2005 $
Cumulative amount of actuarial (gains) / losses at end of prior year	**2 117 241**	-
Actuarial (gains) / losses recognised during year ending	**(1 823 526)**	2 117 241
Cumulative amount of actuarial (gains) / losses at end of year	**293 715**	2 117 241

Reconciliations

Fair Value of Plan Assets:	Reference Item	30 June 2006 $	30 June 2005 $
Fair value plan assets at end of prior year	1	**5 320 828**	4 853 741
Employer contributions from accounts	2	**1 497 909**	596 064
Actual contributions tax paid	3		
Actual participant contributions	4	**233 173**	252 400
Actual operating costs	5	**(51 165)**	(36 050)
Actual benefit payments	6	**(2 139 870)**	(851 520)
Foreign currency exchange rate assets	7	-	-
Business combination assets	8	-	-
Curtailments / settlement assets	9	-	-
Expected return on assets	10	**356 360**	338 393
Expected assets at year end	11 = sum 1 to 10	**5 217 235**	5 153 028
Actuarial gain / (loss) on assets	12=13-11	**451 265**	167 800
Actual assets at year end (1)	13	**5 668 500**	5 320 828
Actual return on plan assets (2)		**674 322**	674 696

Note1: Using unaudited accounts as at 30 April 2006, rolled forward to 30 June 2006, and audited accounts as at 30 June 2005.

Note 2: While net assets, operating costs and investments have been prorated from the total figures from the RBF Contributory scheme, the actual employer contributions and benefit payments have been used, therefore the change in the fair value of plan assets will not add up exactly.

Defined Benefit Obligations Inclusive of Contributions Tax

Total Defined Benefit Obligations (Net Discount Rate) (1)	Reference Item	30 June 2006 $	30 June 2005 $
Total defined benefit obligations at end of prior year	14a	**23 637 788**	20 316 050
Employer service cost plus operating costs	15a	**561 432**	531 128
Interest cost	16	**1 098 691**	1 140 739
Actual participant contributions	17	**233 173**	252 400
Actual operating costs (admin + insurance)	18	**(51 165)**	(36 050)
Actual benefit payment plus contributions tax	19a	**(2 139 870)**	(851 520)
Foreign currency exchange rate liabilities	20	-	-
Business combinations liabilities	21	-	-
Curtailments / settlement liabilities	22	-	-
New past service costs	23	-	-
Expected defined benefit obligations at year end	24a=sum 14a to 23	**23 340 049**	21 352 747
Actuarial (gain) / loss on liabilities	25a	**(1 372 261)**	2 285 041
Actual total defined benefit obligations at year end	26a=24a+25a	**21 967 788**	23 637 788

Note1: These figures include contributions tax.

Defined Benefit Obligations Exclusive of Contributions Tax for Reconciliation Purposes

Defined Benefit Obligations (Net Discount Rate) (1)	Reference Item	30 June 2006 $	30 June 2005 $
Defined benefit obligations at end of prior year	27	**22 198 617**	19 438 074
Fair value plan assets at end of prior year (1)	28	**5 320 828**	4 853 741
Net obligation	29=27-28	**16 877 789**	14 584 333
Contributions tax at end of prior year	30	**1 439 171**	877 977
Contributions tax expense	31=32-30+3	**(15 254)**	41 871
Actual contributions tax paid	3	**-**	-
Expected contributions tax at year end	32=(24-11) / (1-t(0)) times t(0)	**1 423 917**	919 848
Actuarial (gain) / loss on contributions tax	33=34-32	**(248 902)**	519 323
Actual contributions tax at year end (2)	34=(26-13) / 1-t(1)) times t(1)	**1 175 015**	1 439 171

Note 1: Using unaudited accounts as at 30 April 2006, rolled forward to 30 June 2006, and audited accounts as at 30 June 2005.

Note 2: t(0) is the tax rate for employer contributions as at 30 June 2005 or 7.86%, t(1) is the tax rate for employer contributions as at 30 June 2006 or 7.21%.

Reconciliation of Actuarial (Gain) / Loss:	Reference Item	30 June 2006 $	30 June 2005 $
Unrecognised actuarial (gain) / loss at end of prior year	35	**-**	-
Actuarial (gain) / loss on assets	12(a)=12	**(451 265)**	(167 800)
Actuarial (gain) / loss on liabilities	25	**(1 123 359)**	1 765 718
Actuarial (gain) / loss on contributions tax	33	**(248 902)**	519 323
Amounts recognised in statement of recognised income and expense	36	**1 823 526**	(2 117 241)
Immediate recognition gains/losses related to curtailment / settlement	37	**-**	-
Unrecognised actuarial (gain) / loss at end of year	38=35+12(a)+25+33-36-37	**-**	-

Interest Cost:	Reference Item	30 June 2006	30 June 2005
Defined benefit obligations at end of prior year (net discount rate)	14	**$ 22 198 617**	$ 19 438 074
Actual benefit payments	abp	**$ 2 139 870**	$ 851 520
Weighted for timing	51=abp / 2	**$ 1 069 935**	$425 760
Average benefit obligations	52=14-51	**$ 21 128 682**	19 012 314
Discount rate	d	**5.20%**	6.00%
Calculated interest cost	53=d times 52	**$ 1 098 691**	$ 1 140 739
Interest cost used in calculation		**$ 10 968 691**	$ 1 140 739

Expected Return on Assets:	Reference Item	30 June 2006	30 June 2005
Fair value plan assets at end of prior year (1)	1	**$ 5 320 828**	$ 4 853 741
Actual employer contributions	2	**$ 1 497 909**	$ 596 064
Weighted for timing	54=2 / 2	**$ 748 955**	$ 298 032
Actual contributions tax paid	3	**-**	-
Weighted for timing	55= 3 / 2	**-**	-
Actual participant contributions	4	**$ 233 173**	$ 252 400
Weighted for timing	56 =4 / 2	**$ 116 586**	$ 126 200
Actual operating costs (admin + insurance)	5	**$ 51 165**	$ 36 050
Weighted for timing	57= 5 / 2	**$ 25 583**	$ 18 025
Actual benefit payments	6	**$ 2 139 870**	$ 851 520
Weighted for timing	58= 6 / 2	**$ 1 069 935**	$ 425 760
Average expected assets	59= 1+54+55+56-57-58	**$ 5 090 852**	$ 4 834 188
Assumed rate of return	r	**7.00%**	7.00%
Calculated expected return on assets	60=r times 59	**$ 356 360**	$ 338 393
Expected return on assets used in calculation		**$ 356 360**	$ 338 393

Note1: Using unaudited accounts as at 30 April 2006, rolled forward to 30 June 2006, and audited accounts as at 30 June 2005.

Net Liability / (Asset) at Year End	Reference Item	30 June 2006 $	30 June 2005 $
Actual defined benefit obligations at year end	26	**20 792 773**	22 198 617
Actual contributions tax at year end	34	**1 175 016**	1 439 171
Total defined benefit obligation at year end	61=26+34	**21 967 789**	23 637 788
Actual assets at year end (1)	13(a)=(13)	**(5 668 500)**	(5 320 828)
Deficit / (surplus)	62=61+13(a)	**16 299 289**	18 316 960
Unrecognised past service cost	50	**-**	-
Unrecognised net (gain) / loss	b	**-**	-
Net liability / (asset)	63=62-50-b	**16 299 289**	18 316 960

Note1: Using unaudited accounts as at 30 April 2006, rolled forward to 30 June 2006, and audited accounts as at 30 June 2006.

Actuarial Gain / (Loss) for Year	Reference Item	30 June 2006 $	30 June 2005 $
Defined benefit obligations (net of tax, prior year assumptions)	64	**22 097 211**	20 133 024
Contributions tax (prior year assumptions)	65=(64-13)/(t-t0)*t0	**1 400 878**	891 694
Defined benefit obligations (net of tax, current assumptions)	26	**20 792 773**	22 198 617
Actual contributions tax at year end	34	**1 175 016**	1 439 171
Actuarial (gain)/loss for year due to assumptions	66=26+34-(64+65)	**(1 530 301)**	2 613 070
Actuarial (gain)/loss for year due to experience	67=25+33-66	**158 040**	(328 030)
Actuarial (gain)/loss on assets	12(a)	**(451 265)**	(167 800)
Actuarial (gain)/loss for year	68=66+67+12(a)	**(1 823 526)**	2 117 241

History

The amounts for the current annual reporting period and the previous two reporting periods, as required under paragraph 120(p) of AASB 119 are shown below.

	30 June 2006 $	30 June 2005 $	30 June 2004 $
Total defined benefit obligation at year end	**21 967 789**	23 637 788	20 316 050
Actual assets at year end (1)	**(5 668 500)**	(5 320 828)	(4 853 741)
Deficit / (surplus)	**16 299 289**	18 316 960	15 462 310
Experience adjustment on liabilities	**158 040**	(328 040)	-
Experience adjustment on assets	**(451 265)**	(167 800)	-

Funding and Contribution Information

The table below shows the surplus / (deficit) of the RBF as determined in accordance with AAS 25 Financial Reporting by Superannuation Funds as at 30 June 2005, the date of the most recent actuarial funding report. These figures are calculated for funding purposes and relate to the RBF Contributory Scheme as a whole (unlike those above which relate to).

Liabilities for Accrued Benefits	30 June 2005 $
Liabilities for the scheme as a whole	3 892 933
Net market value of scheme assets	1 255 312
Surplus/(deficit)	2 637 621

The present value of the total accrued benefits for the Contributory Scheme as a whole (both funded and unfunded components) for the purpose of AAS 25 was calculated to be $3, 892,933 million.
The employer does not make regular contributions but rather meets the cost of benefits as they emerge by paying a percentage of the benefit as it falls due (as defined in the Retirement Benefits Regulations 2005).
The economic assumptions used to calculate these figures were:

Assumptions	Rate % p.a.
Discount rate	7.0
Salary inflation (inclusive of promotional increases)	4.5
Rate of compulsory preserved benefit increases (AWOTE)	4.0
Rate of pension increases (CPI)	2.5

(ii) Compensated Benefits

Liabilities for employee benefits for wages, salaries, annual leave and sick leave that are expected to be settled within twelve months of the reporting date represent present obligations resulting from employees' services provided to reporting date, are calculated at undiscounted amounts based on remuneration wage and salary rates that the consolidated entity expects to pay as at reporting date.

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave, when it is probable that settlement will be required and it is capable of being measured reliably.

Provisions made in respect of wages and salaries, annual leave and long service leave, expected to be settled within twelve months of the reporting date, have been calculated at undiscounted amounts based on remuneration rates that Metro expects to pay.

The provision for long service leave not expected to be settled within twelve months of the reporting date is measured as the net present value of the estimated future cash outflows to be made resulting from past service of employees up to the reporting date. The provision is calculated using expected future increases in wage and salary rates including related on-costs. The expected settlement dates have been adjusted for turnover history and is discounted using the Wage Inflation and Discount Rate supplied by the Department of Treasury and Finance.

Sick leave entitlements are non-vesting and are expensed as incurred; consequently no provision has been made in the financial statements.

(p) Provisions

A provision is recognised when there is a present, legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation, the timing or amount of which is uncertain.

Dividends

Provisions for dividends payable are recognised in the reporting period in which they are declared, for the entire undistributed amount, regardless of the extent to which they will be paid in cash. No dividend was recommended by the Board prior to the end of the current financial year.

(q) Taxation

A provision is recognised when there is a present, legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation, the timing or amount of which is uncertain.

Current Tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred Tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the consolidated entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the company/consolidated entity intends to settle its current tax assets and liabilities on a net basis.

Current and Deferred Tax for the Period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

(r) Principles of Consolidation

The consolidated financial statements have been prepared by combining the financial statements of all the entities that comprise the economic entity, being Metro Tasmania Pty Ltd (the parent entity) and its controlled entity Metro Coaches (Tas) Pty Ltd. Refer Note 23. Consistent accounting policies have been employed in the preparation and presentation of the consolidated financial statements.

In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the economic entity are eliminated in full.

(s) Revenue Recognition

Traffic operation revenue is recognised at the time the service is provided.

(t) Segment Reporting

Metro operates bus services in Hobart, Launceston and Burnie. There are no reportable segments as the economic risks and returns in each location are relatively the same given the Community Service Agreement with Government.

2. Trade and Other Receivables

	Consolidated		Company	
	2006 $000's	2005 $000's	**2006 $000's**	2005 $000's
Accounts receivable	**635**	980	**635**	980
Less: provision for doubtful debts	**-**	-	**-**	-
	635	980	**635**	980
Movements in provision for doubtful debts				
Balance brought forward	**-**	-	**-**	-
Add: increase / (less decrease) to provision	**-**	1	**-**	1
	-	1	**-**	1
Less: amounts written off	**-**	(1)	**-**	(1)
	-	-	**-**	-

All delinquent accounts have been reviewed and it is considered that no provision will be provided (2005: $181). Debts of $181 (2005: $17,476) have been written off as unrecoverable.

3. Inventories

	Consolidated		Company	
	2006 $000's	2005 $000's	**2006 $000's**	2005 $000's
Inventories	**929**	929	**929**	929
Less: provision for obsolescence	**(76)**	(68)	**(76)**	(68)
	853	861	**853**	861
Movements in provision for stock obsolescence				
Balance brought forward	**68**	66	**68**	66
Add: adjustment to provision	**8**	2	**8**	2
	76	68	**76**	68
Less: disposals and amounts written off	**-**	-	**-**	-
	76	68	**76**	68

Provision of $76,114 (2005: $67,694) has been made for obsolete and damaged stock and to reduce the value of stock to the lower of cost (with the exception of reconditioned stock which is at historical cost) or net replacement cost.

4. Assets Classified as Held for Sale

	Consolidated		Company	
	2006 $000's	2005 $000's	**2006 $000's**	2005 $000's
Property, plant & equipment	**242**	505	**242**	505

5. Other Current Assets

	Consolidated		Company	
	2006 $000's	2005 $000's	**2006 $000's**	2005 $000's
Pre-payments	**571**	461	**571**	461

6. Property, Plant and Equipment

	Company				
Gross Carrying Amount	**Balance at 1 July 2005 $000's**	**Additions $000's**	**Disposals $000's**	**Revaluation $000's**	**Balance at 30 June 2006 $000's**
Land & buildings - at independent valuation	9 645	4	-	2 566	**12 215**
Route infrastructure - at cost	1 988	73	(31)	-	**2 030**
Office equipment - at cost	1 498	106	(210)	-	**1 394**
Electronic ticketing & communication equipment - at cost	3 546	12	(108)	-	**3 450**
Plant & equipment - at cost	1 017	227	(15)	-	**1 229**
Auxiliary vehicles - at cost	520	45	(43)	-	**522**
Buses - at independent valuation	21 167	3 326	(364)	230	**24 359**
Work in progress - at cost	167	231	-	-	**398**
	39 548	4 024	(771)	2 796	**45 597**

	Company				
Accumulated Depreciation	**Balance at 1 July 2005 $000's**	**Disposals $000's**	**Depreciation $000's**	**Revaluation $000's**	**Balance at 30 June 2006 $000's**
Land & buildings - at independent valuation	102	-	109	(211)	**-**
Route infrastructure - at cost	1 603	-	66	-	**1 669**
Office equipment - at cost	1 163	(210)	131	-	**1 084**
Electronic ticketing & communication equipment - at cost	3 413	(90)	24	-	**3 347**
Plant & equipment - at cost	908	(11)	23	-	**920**
Auxiliary vehicles - at cost	214	(9)	105	-	**310**
Buses - at independent valuation	2 668	(86)	2 609	-	**5 191**
	10 071	(406)	3 067	(211)	**12 521**

Net Book Value	**Reference Item**	**2006 $000's**	2005 $000's
Land & buildings - at independent valuation	Note 1(f)	**12 215**	9 543
Route infrastructure - at cost		**361**	385
Office equipment - at cost		**310**	335
Electronic ticketing & communication equipment - at cost		**103**	133
Plant & equipment - at cost		**309**	109
Auxiliary vehicles - at cost		**212**	306
Buses - at independent valuation	Note 1(f)	**19 168**	18 499
Work in progress - at cost		**398**	167
		33 076	29 477

Gross Carrying Amount	Consolidated Balance at 1 July 2005 $000's	Additions $000's	Disposals $000's	Revaluation $000's	Balance at 30 June 2006 $000's
Land & buildings - at independent valuation	9 645	4	-	2 566	**12 215**
Route infrastructure - at cost	1 988	73	(31)	-	**2 030**
Office equipment - at cost	1 573	106	(210)	-	**1 469**
Electronic ticketing & communication equipment - at cost	3 546	12	(108)	-	**3 450**
Plant & equipment - at cost	1 017	227	(15)	-	**1 229**
Auxiliary vehicles - at cost	520	45	(43)	-	**522**
Buses - at independent valuation	21 167	3 326	(364)	230	**24 359**
Work in progress - at cost	167	231	-	-	**398**
	39 623	4 024	(771)	2 796	**45 672**

Accumulated Depreciation	Company Balance at 1 July 2005 $000's	Disposals $000's	Depreciation $000's	Revaluation $000's	Balance at 30 June 2006 $000's
Land & buildings - at independent valuation	102	-	109	(211)	**-**
Route infrastructure - at cost	1 603	-	66	-	**1 669**
Office equipment - at cost	1 238	(210)	131	-	**1 159**
Electronic ticketing & communication equipment - at cost	3 413	(90)	24	-	**3 347**
Plant & equipment - at cost	908	(11)	23	-	**920**
Auxiliary vehicles - at cost	214	(9)	105	-	**310**
Buses - at independent valuation	2 668	(86)	2 609	-	**5 191**
	10 146	(406)	3 067	(211)	**12 596**

Net Book Value	Reference Item	2006 $000's	2005 $000's
Land & buildings - at independent valuation	Note 1(f)	**12 215**	9 543
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Electronic ticketing & communication equipment - at cost		**103**	133
Plant & equipment - at cost		**309**	109
Auxiliary vehicles - at cost		**212**	306
Buses - at independent valuation	Note 1(f)	**19 168**	18 499
Work in progress - at cost		**398**	167
		33 076	29 477

(a) Disposal of Non-Current Assets

Non-current assets with written down value of $364,521 (2005: $321,589) were sold during the year. No assets were written off during the year (2005: nil). Gross proceeds of $422,968 (2005: $448,085) were received, resulting in a profit / (loss) on sale of $58,447 (2005: $126,496).

(b) Valuation of Land and Buildings

An independent valuation of freehold land and buildings was performed as at 30 June 2006 by Mr A Pitt Dip.Val. AAPI AREI Certified Practicing Valuer of Saunders & Pitt. This valuation was performed on the basis of "current market value in the existing use".

(c) Valuation of Buses

An independent valuation of "in service" buses was performed as at 30 June 2004 by Mr R.A. van Raay AAPI, ASA (M&TS), AIMM Certified Practising Valuer (P&M) of Ernst & Young. The valuation was performed on the basis of "market value for existing use". This approach assumes that the asset could be sold in the market for its existing use. Buses for sale at 30 June 2006 were written down by $9,960 (2005: $159,240) after assessing their fair value against previous revaluation increments in the asset revaluation reserve.

7. Intangible Assets

		Consolidated		Company	
		2006 $000's	2005 $000's	**2006 $000's**	2005 $000's
Licences - at cost	Note 1 (j)	**64**	63	**64**	63
Less: accumulated amortisation		**(17)**	-	**(17)**	-
		47	63	**47**	63
Computer software - at cost	Note 1 (l)	**1 398**	1 398	**1 398**	1 398
Less: accumulated amortisation		**(1 279)**	(1 231)	**(1 279)**	(1 231)
		119	167	**119**	167
Total intangible assets		**166**	230	**166**	230

8. Other Non-Current Assets

	Consolidated		Company	
	2006 $000's	2005 $000's	**2006 $000's**	2005 $000's
Receivables	**-**	193	**-**	193

9. Trade and Other Payables

	Consolidated		Company	
	2006 $000's	2005 $000's	**2006 $000's**	2005 $000's
Trade payables	**2 818**	2 809	**2 925**	2 916
Oncosts - annual leave	**236**	237	**236**	237
Oncosts - long service leave	**447**	450	**447**	450
Total trade and other payables	**3 501**	3 496	**3 608**	3 603

10. Financial Liabilities

	Consolidated		Company	
	2006 $000's	2005 $000's	**2006 $000's**	2005 $000's
Tascorp borrowings	**2 792**	2 792	**2 792**	2 792
Treasury borrowings	**-**	35	**-**	35
Total borrowings	**2 792**	2 827	**2 792**	2 827
Movements in borrowings				
Current:				
Not later than 1 year	**-**	35	**-**	35
Non Current:				
Later than 1 year and not later than 2 years	**2 792**	2 792	**2 792**	2 792
Total borrowings	**2 792**	2 827	**2 792**	2 827

11. Employee Benefits

		Consolidated		Company	
		2006 $000's	2005 $000's	**2006 $000's**	2005 $000's
Current					
Retirement benefits	Note 1(o)(i)	**3 720**	3 291	**3 720**	3 291
Compensated benefits*	Note 1(o)(ii)	**2 451**	2 348	**2 451**	2 348
Workers' compensation		**129**	170	**129**	170
Redundancies		**-**	243	**-**	243
		6 300	6 052	**6 300**	6 052
Non-Current					
Retirement benefits	Note 1 (o)(i)	**12 579**	15 026	**12 579**	15 026
Compensated benefits*	Note 1(o)(ii)	**900**	894	**900**	894
		13 479	15 920	**13 479**	15 920
		19 779	21 972	**19 779**	21 972

**The aggregate compensated benefits as at 30 June 2006 are $4,034,230 (2005: $3,928,994); comprising annual leave $1,467,819 (2005: $1,424,463) and long service leave $2,566,411 (2005: $2,504,531).*

Accrued wages $313,039 (2005: $330,325) are disclosed in trade and other payables.

12. Contributed Equity

	Consolidated		Company	
	2006 $000's	2005 $000's	**2006 $000's**	2005 $000's
Issued Capital Two shares of $1 each				
Contributed Equity	**15 503**	15 503	**15 503**	15 503

13. Reserves

	Consolidated		Company	
	2006 $000's	2005 $000's	**2006 $000's**	2005 $000's
Reserves Comprise				
Asset revaluation reserve	**8 081**	5 373	**8 081**	5 373
Movements in Reserves - Asset Revaluation Reserve				
Balance at beginning of financial year	**5 373**	5 704	**5 373**	5 665
Revaluation of land	**1 993**	-	**1 993**	-
Revaluation of buildings	**784**	-	**784**	-
Disposal of revalued buses	**(59)**	(172)	**(59)**	(133)
Write down of buses to recoverable amount	**(10)**	(159)	**(10)**	(159)
Balance at end of financial year	**8 081**	5 373	**8 081**	5 373

The asset revaluation reserve arises on revaluation of non-current assets. Where a revalued asset is sold that portion of the asset revaluation reserve which relates to that asset, and is effectively realised, is transferred to retained profits.

14. Retained Profits

	Consolidated		Company	
	2006 $000's	2005 $000's	**2006 $000's**	2005 $000's
Balance at beginning of financial year	**(4 780)**	(2 741)	**(4 887)**	(2800)
Net profit / (loss)	**30**	(94)	**30**	(103)
Transfer from asset revaluation reserve	**59**	172	**59**	133
Actuarial gains / (losses)	**1 824**	(2 117)	**1 824**	(2 117)
Balance at end of financial year	**(2 867)**	(4 780)	**(2 974)**	(4 887)

15. Total Equity

	Consolidated		Company	
	2006 $000's	2005 $000's	**2006 $000's**	2005 $000's
Total equity at beginning of financial year	**16 096**	18 466	**15 989**	18 368
Total changes in equity recognised in the income statement	**30**	(94)	**30**	(103)
Total changes in equity recognised in the statements of recognised income and expense	**1 824**	(2 117)	**1 824**	(2 117)
Revaluation of assets	**2 777**	-	**2 777**	-
Write down of assets to recoverable amount	**(10)**	(159)	**(10)**	(159)
Total equity at end of financial year	**20 717**	16 096	**20 610**	15 989

16. Related Parties

Directors

The Board of Directors of Metro Tasmania Pty Ltd was composed of the following individuals during 2006:
Mrs Sally Denny (Chairperson)
Mr Michael Wisby (Deputy Chairperson)
Mrs Ketrina Clarke
Mrs Janie Finlay
Mr Robert Flanagan

Directors fees of $63,210 (2005: $58,238) and superannuation contributions of $19,062 (2005: $15,950) were paid in the period to 30 June 2006.

There were no transactions with Directors or Director related entities during the financial year.

Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly of indirectly including any director (whether executive or otherwise) of that entity.

Key Management Personnel Compensation

The key management personnel compensation of the consolidated entity are as follows:-

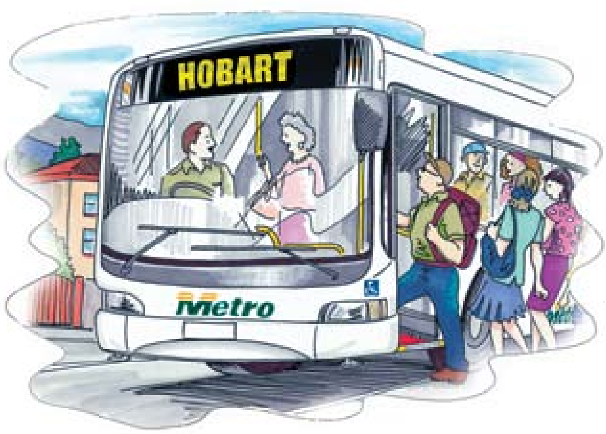
	Consolidated		Company	
	2006 $000's	2005 $000's	**2006 $000's**	2005 $000's
Short term benefits	**593**	594	**593**	594
Other long term benefits	**85**	73	**85**	73
Post-employment benefits	**60**	65	**60**	65
Termination benefits	**-**	-	**-**	-
Equity compensation benefits	**-**	-	**-**	-
Total Benefits	**738**	732	**738**	732

17. Auditors' Remuneration

	Consolidated		Company	
	2006 $000's	2005 $000's	**2006 $000's**	2005 $000's
Amounts payable to the Auditor-General in respect of auditing the financial report	**47**	50	**47**	43

18. Profit from Ordinary Activities

		Consolidated		Company	
		2006 $000's	2005 $000's	**2006 $000's**	2005 $000's
Profit from ordinary activities before income tax equivalent includes the following items of revenue and expense:					
Operating Revenue					
Traffic operations		**34 620**	32 269	**34 620**	30 912
Interest revenue		**660**	546	**660**	546
Advertising income		**322**	386	**322**	386
Rental income		**50**	71	**50**	71
Other income		**189**	204	**189**	219
		35 841	33 476	**35 841**	32 134
Non Operating Revenue					
Net profit / (loss) from sale of property, plant & equipment		**58**	126	**58**	126
		35 899	33 602	**35 899**	32 260
Operating Expenses					
Amortisation expense	Note 1(j) 1(l)	**64**	16	**64**	0
Depreciation expense	Note 1(h)	**3 067**	3 375	**3 067**	3 282
Bad debts expense & impairment loss on receivables		**-**	1	**-**	1



19. Notes to the Cash Flow Statement

(a) For Purposes of the Cash Flow Statement, Cash is Considered to Include Cash on Hand, in Banks, and Cash Held as an Investment

	Consolidated		Company	
	2006 $000's	2005 $000's	**2006 $000's**	2005 $000's
Cash as shown in the cash flow statement is reconciled to the beginning and end of financial year as follows:				
Cash at bank and at call	**11 246**	11 684	**11 246**	11 684

(b) Reconciliation of Net Cash Provided by Operating Activities to Profit from Ordinary Activities after Related Taxation Equivalent

		Consolidated		Company	
		2006 $000's	2005 $000's	**2006 $000's**	2005 $000's
Profit from ordinary activities after related taxation equivalent		**30**	(94)	**30**	(103)
Add: depreciation	Note 1(h)	**3 067**	3 373	**3 067**	3 282
Add: amortisation	Note 1(j) 1(l)	**64**	16	**64**	-
(Increase) / decrease in debtors and other receivables		**345**	342	**345**	494
Increase / (decrease) in provision for inventory obsolescence		**8**	2	**8**	2
(Increase) / decrease in inventory		**8**	(72)	**8**	(72)
Increase / (decrease) in accounts payable		**250**	651	**250**	648
Increase / (decrease) in provision for employee entitlements		**(220)**	932	**(220)**	900
Increase / (decrease) in provision for redundancies		**(243)**	243	**(243)**	243
Increase / (decrease) in provision for workers' compensation		**(41)**	(14)	**(41)**	(14)
(Profit) / loss on sale of property, plant & equipment		**(58)**	(127)	**(58)**	(127)
Increase / (decrease) in GST control		**(12)**	(107)	**(12)**	(107)
Net Cash provided by operating activities		**3 198**	5 145	**3 198**	5 146

(c) Credit and Standby Facilities

	Consolidated		Company	
	2006 $000's	2005 $000's	**2006 $000's**	2005 $000's
Details of the limit and usage of corporate credit cards as at 30 June are as follows:				
Facility limit	**10**	10	**10**	10
Less used / committed	**-**	-	**-**	-
Balance of facility available:	**10**	10	**10**	10

20. Taxation Equivalents

Income Tax Recognised in Profit or Loss Tax Expense/(Income) Comprises:	Consolidated 2006 $000's	 2005 $000's	Company 2006 $000's	 2005 $000's
Current tax expense/(income)	**330**	666	**330**	666
Benefit arising from previously unrecognised tax losses, tax credits or temporary differences of a prior period that is used to reduce:				
Current tax expense	**(330)**	(666)	**(330)**	(666)
Total tax expense/(income)	**-**	-	**-**	-
The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:				
Profit (loss) from continuing operations	**30**	(94)	**30**	(103)
Profit from operations	**30**	(94)	**30**	(103)
Income tax expense calculated at 30%	**9**	(28)	**9**	(31)
Non-deductible expenses	**1**	6	**1**	1
Previously unrecognised and unused tax losses and tax offsets now recognised deferred tax assets	**(330)**	(666)	**(330)**	(666)
Other	**320**	688	**320**	696
(Over)/under provision of income tax in previous year	**-**	-	**-**	-

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

Unrecognised Deferred Tax Balances	Consolidated 2006 $000's	 2005 $000's	Company 2006 $000's	 2005 $000's
The following deferred tax balances have not been brought to account:				
Deferred tax asset – tax losses	**3 571**	3 901	**3 571**	3 901
Deferred tax asset – temporary differences	**6 206**	6 798	**6 206**	6 798
Deferred tax liability – temporary differences	**(4 370)**	(3 906)	**(4 370)**	(3 906)
	5 407	6 793	**5 407**	6 793

21. Commitments and Contingent Liabilities

	Consolidated 2006 $000's	 2005 $000's	Company 2006 $000's	 2005 $000's
Capital Expenditure Commitments				
Not longer than one year - contracted	**1 539**	3 080	**1 539**	3 080

Contingent Liabilities
Dispute with supplier of goods. Metro is advised that the estimated cost will not exceed $85,000. Metro believes the claim can be successfully defended and therefore no loss will be incurred.

22. Economic Dependency

	Consolidated		Company	
	2006 $000's	2005 $000's	**2006 $000's**	2005 $000's
Capital Expenditure Commitments				
Not longer than one year - contracted	**1 539**	3 080	**1 539**	3 080

Contingent Liabilities
Dispute with supplier of goods. Metro is advised that the estimated cost will not exceed $85,000. Metro believes the claim can be successfully defended and therefore no loss will be incurred.

A significant volume of Metro's operations are performed under contract to the State Government. The current contract has been extended and will expire on 30 June 2007.

Revenue received under the service contract for the year ended 30 June 2006 was $24,939,873.

23. Controlled Entity

	Country of Incorporation	Ownership Interest
Parent Entity		
Metro Tasmania Pty Ltd	Australia	100%
Controlled Entity		100% from
Metro Coaches (Tas) Pty Ltd	Australia	7 May 1999

24. Financial Instruments

Cash

Cash is measured at nominal amounts. Exposure to interest rate and credit risks is considered to be minimal.

Receivables

Trade receivables and other receivables are recorded at nominal amounts due less any provision for doubtful debts (Note 2). A significant volume of Metro's operations are performed for the State Government or are received as cash fares. Accordingly, exposure to credit risk is minimal. Trade receivables are recognised on delivery of services to customers.

Accounts Payable

Accounts payable are recognised when the Company becomes obliged to make future payments resulting from the purchase of goods or services. Measurement is based on the agreed purchase/contract cost. The amounts are unsecured and are normally settled within 30 days.

Borrowings

Borrowings are carried on the Balance Sheet at their face value. Tascorp borrowings are interest only, at a rate of 5.89%. The Tascorp borrowings mature on 16 March 2008. The Treasury loan was repaid on 1 July 2005. The net fair value of the loans at 30 June 2006 using discounted cash flow analysis based on similar types of borrowing arrangements has been estimated to be $2,818,915.

Refer Note 10 for timing of future repayments.

Interest expense is accrued at the contracted rate and is included in trade and other payables.

Risk Exposures

(a) Risk Management Policies

Metro is party to derivative financial instruments in the normal course of its activities in order to hedge exposure to fluctuations in interest rates. Derivative financial instruments are not recognised in the Balance Sheet, as under the cost valuation method, the value of a derivative is zero.

(b) Credit Risk Exposure

The credit risk on financial assets of Metro which have been recognised in the Balance Sheet, other than investments in shares, is generally the carrying amount, net of any provision for impairment.

The recognised financial assets of Metro include amounts receivable arising from unrealised gains on derivative financial instruments. Credit risk also arises from the potential failure of counterparties to meet their obligations under the respective contracts at maturity for financial instruments not shown in the Balance Sheet, including derivatives, which are deliverable.

All figures for credit risk referred to do not take into account the value of any collateral or other security.

(c) Interest Rate Risk

Exposures arise predominantly from assets and liabilities bearing variable interest rates as Metro intends to hold fixed rate assets and liabilities to maturity.

25. Explanation of Transition to AIFRS

As stated in significant accounting policies Note (a), these are Metro's first financial statements prepared in accordance with AIFRS.

The policies set out in the significant accounting policies section of this report have been applied in preparing the financial statements for the year ended 30 June 2006, the comparative information presented in these financial statements for the year ended 30 June 2005 and in preparation of an opening AIFRS Balance Sheet at 1 July 2005.

In preparing its opening AIFRS Balance Sheet, Metro has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (previous GAAP). An explanation of how the transition from previous GAAP to AIFRS has affected Metro's income statement, Balance Sheet and cash flows is set out in the following financials and the notes that accompany the financials.

Metro Tasmania Pty Ltd and its Controlled Entity

Balance Sheet as at 30 June 2005

	Notes	Consolidated			Company		
		AIFRS s	Effect of Transition to AIFRS	Previous GAAP	AIFRS s	Effect of Transition to AIFRS	Previous GAAP
		30 June 2005			30 June 2005		
Assets							
Cash and cash equivalents	(i)	11 684	9 337	2 347	11 684	9 337	2 347
Trade and other receivables		980	-	980	980	-	980
Inventories		861	-	861	861	-	861
Other financial assets		-	(9 337)	9 337	-	(9 337)	9 337
Assets held for sale	(ii)	505	505	-	505	505	-
Other		461	-	461	461	-	461
Total Current Assets		14 491	505	13 986	14 491	505	13 986
Property, plant and equipment		29 477	(672)	30 149	29 477	(672)	30 149
Intangible assets	(iii)	230	167	63	230	167	63
Other		193	-	193	193	-	193
Total Non-Current Assets		29 900	(505)	30 405	29 900	(505)	30 405
Total Assets		44 391	-	44 391	44 391	-	44 391
Liabilities							
Trade and other payables	(iv)	3 496	687	2 809	3 603	687	2 916
Financial liabilities		35	-	35	35	-	35
Employee benefits	(iv) (v)	6 052	(924)	6 976	6 052	(924)	6 976
Total Current Liabilities		9 583	(237)	9 820	9 690	(237)	9 927
Financial liabilities		2 792	-	2 792	2 792	-	2 792
Employee benefits	(iv) (v)	15 920	5 579	10 341	15 920	5 579	10 341
Total Non-Current Liabilities		18 712	5 579	13 133	18 712	5 579	13 133
Total Liabilities		28 295	5 342	22 953	28 402	5 342	23 060
Net Assets		16 096	(5 342)	21 438	15 989	(5 342)	21 331
Equity							
Contributed equity		15 503	-	15 503	15 503	-	15 503
Reserves		5 373	-	5 373	5 373	-	5 373
Retained profits	(iv)	(4 780)	(5 342)	562	(4 887)	(5 342)	455
Total Equity		16 096	(5 342)	21 438	15 989	(5 342)	21 331

Metro Tasmania Pty Ltd and its Controlled Entity

Income Statement
For The Year Ended 30 June 2006

	Notes	Consolidated AIFRS s 30 June 2005	Consolidated Effect of Transition to AIFRS	Consolidated Previous GAAP	Company AIFRS s 30 June 2005	Company Effect of Transition to AIFRS	Company Previous GAAP
Revenue							
Revenue from traffic operations		**32 269**	-	32 269	30 912	-	30 912
Other revenues from ordinary activities		**1 333**	-	1 333	1 348	-	1 348
		33 602		33 602	32 260		32 260
Expenses	(vi)						
Traffic operations		**(24 875)**	(120)	(24 755)	(23 903)	(120)	(23 783)
Engineering and maintenance services		**(4 938)**	(13)	(4 925)	(4 609)	(13)	(4 596)
Administration and general		**(3 691)**	(8)	(3 683)	(3 659)	(8)	(3 651)
		(33 504)	(141)	(33 363)	(32 171)	(141)	(32 030)
Profit Before Financing Costs		**98**	(141)	239	89	(141)	230
Financial income							
Financial expenses		**(192)**	-	(192)	(192)	-	(192)
Net financing costs		(192)	-	(192)	(192)	-	(192)
Profit / (Loss) Before Tax		**(94)**	(141)	47	(103)	(141)	38
Income Tax Expense		-	-	-	-	-	-
Profit / (Loss) For The Year	(vi)	**(94)**	(141)	47	(103)	(141)	38

25. Explanation of Transition to AIFRS (continued)

Restatement of Comparative Information

(i) Reclassification of Short-Term Investments

The definitions of cash and cash equivalents have been widened to include short term investments that are readily converted to cash. Metro's investment in the form of a "cash indexed guarantee fund" has been reclassified as cash.

(ii) Reclassification of Non-current Assets Classified as Held for Sale (Current)

AASB 101 Presentation of Financial Statements requires non-current assets classified as held for sale to be presented separately from other assets and liabilities on the Balance Sheet. A non-current asset is classified as held for sale if the carrying amount will be recovered principally through a sale transaction rather than through continuing use, the asset is available for immediate sale in its current condition, and its sale is highly probable. Furthermore, assets held for sale will be reclassified as current assets when it is highly probable that their sale will be realised within twelve months of the report date. Metro recognises buses for sale in this category.

(iii) Reclassification of Computer Software as an Intangible Asset

Computer software is captured under the definition of an intangible asset under AASB 138. It is not an integral part of the related property, plant and equipment. Computer software is initially recognised at cost less any accumulated amortisation.

(iv) Restatement of Retirement Benefits

The main impact of adopting AIFRS is the change to the discount rate used to calculate the value of the retirement benefits liability (a defined benefits plan). The discount rate used by the Actuary has changed from a rate based on expected earnings to a high quality corporate bond rate. As a result of the application of AIFRS, the adjustments to opening balances for retirement benefits has been applied directly against retained profits. This resulted in significant reduction in Metro's equity upon adoption, and the movement in the high quality corporate bond rate between financial years has resulted in volatility in reported profits/losses.

All actuarial gains and losses as at 1 July 2004, the date of transition to AIFRS were recognised. The restatement of retirement benefits has resulted in a further expense of $141,000 which was charged to the Income Statement for the financial year 2004/2005. This in turn resulted a net loss for the consolidated entity of $94,000.

The restated RBF provision is as follows:

	$'000
Balance of RBF provision as at 2004 (pre IFRS)	12 379
Balance of RBF provision as at 2004 (post IFRS)	15 462
Liability Increased	3 083
Balance of RBF provision as at 2005 (pre IFRS)	12 974
Balance of RBF provision as at 2005 (post IFRS)	18 316
Liability Increased	5 342

(v) Restatement of Employment Benefits

Current portion of the annual leave is calculated on the following basis:

- For drivers days owing less than 27: and
- For all other employees days owing less than the current years entitlement.

Days owing more than the above days are classified as a non current liability.

All on-costs other than superannuation are classified as trade and other payables.

Annual Leave	**2006 $'000**	**2005 $'000**
Current	**840**	808
Non-current	**392**	380
Trade and other payables (on-costs)	**236**	236
Total Annual Leave	**1 468**	1 424
Long Service Leave		
Current	**1 611**	1 540
Non-current	**509**	514
Trade and other payables (on-costs)	**446**	450
Total Long Service Leave	**2 566**	2 504

(vi) Net Profit Under AGAAP Compared to That Under AIFRS for the Year Ended 30 June 2005

A consolidated profit of $47,000 was reported under AGAAP for 2004/2005. The retirement benefits provision calculated under AASB 119 Employee Benefits has increased and resulted in an additional expense for the year of $141,000, which resulted in a net loss for the consolidated entity of $94,000 under AIFRS.

The additional RBF expense for 2004/05 has been calculated as follows:

	$'000
Balance of RBF provision as at 2005	18 316
Balance of RBF provision as at 2004	15 462
	2 854
Actuarial losses recognised in statement of income and expense	2 117
Add: expense to be recognised in the restated income statement	737
Expense to be recognised in the restated income statement	2 854
	737
Less: expense already recognised in the income statement	596
Additional Expense to be Recognised in Restated Income Statement	141

Appendix : Recognition of Staff Achievements

During the year ending 30 June 2006 a number of Metro staff successfully completed Certificate IV (supervisory level) in Transport and Distribution (Road Transport). Subjects covered included:

- Facilitating work teams;
- Developing and maintaining a safe workplace;
- Applying conflict/grievance resolution strategies;
- Managing personal work priorities and professional development;
- Equal employment strategies;
- Promoting effective workplace practice; and
- Facilitating change in the workplace.

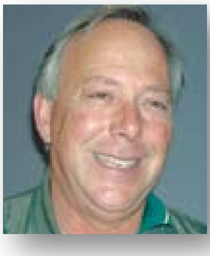
Congratulations are extended to all who completed this level of qualification:

Shane Alderton	Gregg Lennox
Greg Ashlin	David Lockley
Charles Bassett	Stephen Lockley
David Blacklow	Stephen Marriott
Jenny Crans	Greg Penfold
Kent Daniels	Geoff Price
Joanne Frerk	Robert Rodway
Daryl Harper	Michael Sims
Michelle Johns	Robert Van Bommell
Anthony Johnstone	Vicki Wright
Carol Larkin	

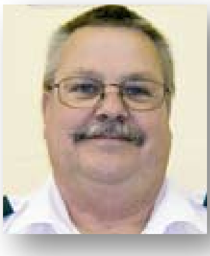
Metro operates a "compliment of the month" scheme to recognise employees that deliver exceptional customer service. "Compliment of the month" recipients are selected from public commendations asking for that driver to be thanked or recognised for some act of exceptional service delivery in the eyes of that member of the public. In some months no award is issued if there is no suitable nomination from the public. In listing recipients of the "compliment of the month" award Metro wishes to acknowledge that many of its staff exhibit very high levels of customer service as part of their normal working days, but a member of the community may not take the trouble to approach Metro to nominate them for exceptional service.

The following Metro employees received "compliment of the month" awards in 2005/06:

Peter Manser (photo unavailable)



Robert Nichols

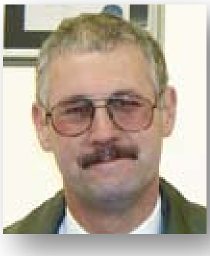


Charlie Bassett

Wendy Budgeon

Roger Billing

Cheryl Fitzallen



Rodney Pearce

Metro Tasmania Pty Ltd